

# The Economic Crisis and the Crisis of Economics<sup>1[1]</sup>

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## A Letter from Prison

To begin this reflection, I'd like to refer to what St Paul says in his letter to the Ephesians. The Ephesians were the residents of the ancient city of Ephesus. The city was important from both commercial and religious standpoints. Wealth abounded, although not every resident was prosperous. When Paul is writing to them from his prison cell, he knows that they had encountered 'oppressive wolves' in their community who were destroying society and had appeared in leadership roles but somewhat under the guise of sheep's clothing. The Ephesians were reeling from this colossal shock and the experience of a lack of trust in leadership; this is why St Paul is writing to them. It's in this context that he reminds them, "The gifts he [Christ] gave were that some would be apostles, some prophets, some evangelists, some pastors and teachers." But Paul knows as the Ephesians that some did not live up to their calling. Nonetheless, he advises them not to be overcome by this bad experience, instead he says, "we must no longer be children, tossed to and fro and blown about by every wind of doctrine, by people's trickery, by their craftiness in deceitful scheming. But ***"speaking the truth in love, we must grow up in every way"***.<sup>2[2]</sup> St Paul was not, of course, referring to the financial Armageddon that we have ended up in. But in terms of the millions of words that have been written about the dysfunctional business landscape we now inhabit, St Paul's words are, I'd suggest, enlightening and therapeutic in their significance.

In the context of the International Eucharistic Congress there could be nothing more anachronistic than what I'd call any attempt at the imposition of some sort of 'ecclesiastical economics,' so as to address the present circumstances. By this I mean any kind of 'top-down' method, telling 'others' what they did wrong and maybe should do now in order to remedy the situation. There's the danger in all of this of the 'demonisation' of the other, commonly called the 'blame game.'<sup>3[3]</sup> St Paul clearly sees the need for a 'division of labour' even in the early Christian community. He says it's up to the preachers to preach, the teachers to teach, since they have this 'gift' and we could similarly say that it's up to the economists to do economics, and businesspeople to do the business of business and live out their vocation which as a recent reflection from the Pontifical Council for Justice and Peace says, "is [after all] a genuine human and Christian calling."<sup>4[4]</sup> Samuel Gregg, director of research at the Acton Institute in the USA, writes that this new document "articulates for the first time in the Catholic Church's history, a lengthy and thoroughly positive reflection from a body of the Roman Curia about the nature and ends of business...[It is] a very welcome (and much-overdue) 'bottom-up' rather than 'top-down' method of analysis of life in business."<sup>5[5]</sup>

## Growth Areas for Development

It is in this context that I find interesting St Paul's call for maturity and development ('we must no longer be children,' he says) within the Christian community at Ephesus. He advises the Ephesians not to be merely tossed about and turned over by difficulties or by the various opinions or theories that appear to explain the perilous situation they are in. This call for a growth in understanding can, I think, be equally applied to our own comprehension of human economic action too. For instance, an all too common approach today is to say that the 'free market economy' is a fundamentally flawed system because it's just about 'greed.' This is somewhat simplistic because avarice or what I'd call '*Gekkoism*' (that is, the 'Greed is good' mantra of Gordon Gekko, the star

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<sup>1[1]</sup> See, Constantin Gurdgiev, 'The Russian Crisis and the Crisis of Russia,' in *What If Ireland Defaults?*, eds. Brian Lucey, Charles Larkin and Constantin Gurdgiev (Dublin: Orpen Press, 2012), pp. 111-134.

<sup>2[2]</sup> Ephesians, 4: 11, 14-15.

<sup>3[3]</sup> See Eric Voegelin, *The Collected Works of Eric Voegelin, Volume 11, Published Essays 1953-1965*, ed. Ellis Sandoz (Missouri, MO: University of Missouri Press, 2000), p. 213.

<sup>4[4]</sup> See, *Vocation of the Business Leader: A Reflection*, Pontifical Council For Justice And Peace, n. 6.

<sup>5[5]</sup> See, 'In Praise of Business: A New 'Note' from Justice and Peace,' <http://www.nationalreview.com/blogs/print/294949>, accessed 4/2/12.

of the *Wall Street* movie) is part but not the totality of what caused the financial crash. The usual perception is to say it happened because “unregulated laissez-faire capitalism was allowed to rip and that the greed of bankers...led them to an unprecedented degree of risk taking.”<sup>6[6]</sup> From this perspective, free-market economics created a monster machine of *Frankensteinian* proportions and we are its victims.

However, keeping in mind St Paul’s admonition for a growth in our own understanding, we can try to keep in mind the fundamental insight, that the ‘free-market economy’ is not nor need not be, in fact, a soul-less machine; when it functions correctly it is an economic *process* in which human action and decisions are central. It is essentially this human dimension that has been eclipsed from the market’s operation and has left us dangling over the precipice of disaster. The economist Paul Dembinski points this out very well in his study called *Finance: Servant or Deceiver?*, when he observes that

over the last quarter-century the West has experienced an inversion of ends and means. There also has been a shift away from relationships (as a mode of human social and economic reaction) towards transactions (which allow relationships to be unilaterally and abruptly terminated).<sup>7[7]</sup>

In other words, the economic crisis we are in essentially points us to the *crisis* of economics, that is, the continuing danger of the eclipse of the reality of the human person in the whole process. Financial journalists and economic commentators also make reference in their analyses to what I call the ‘anthropological’ *missing link* in economic activity. Gillian Tett in *Fool’s Gold* mentions how people in the financial world had made the assumption that “it was perfectly valid to discuss money in abstract, mathematical, ultra-complex terms, without any reference to tangible human beings.”<sup>8[8]</sup> Larry McDonald, author of the book *A Colossal Failure of Common Sense*, written about the Lehman Brothers collapse, concludes his reflections on the crash saying:

It changed me. It stripped away all the careless glances at stock charts I have lived with all my life. The ramifications of those charts have a different meaning now. Where once I stared at the zigzagging lines, and just thought, *Up, down, win, lose, profit, crash, problem, solution, long, short, buy, sell*, now I see mostly people. Because every movement, up or down, has a meaning. I see it because I’ve been there. Every fraction of every inch of those financial graphs represents hope or fear, confidence or dread, triumph or ruin, celebration or sorrow. There’s nothing quite like a total calamity to focus the mind...And, I say again, it never should have happened.<sup>9[9]</sup>

## **The Economy of Communion: Towards A Person-Centred Dynamic**

A crisis, therefore, is perhaps an opportune time to try and recapture the truth of the reality of the person-centred dynamic at the heart of the free market economic system. The economist, Luigino Bruni, a member of a new and upcoming group of economists called the Bologna School in which the Economy of Communion can be positioned,<sup>10[10]</sup> points us toward important insights in regaining the essential human elements of the market economy. Bruni reminds us that

the market when it functions properly is a place where innovations and human creativity are favoured and rewarded. It is all too clear that we will never emerge from this crisis without a revival of entrepreneurship...The market, the competition of the market...can be seen, that is, if we want to understand it in its totality, as a race to innovate: whoever innovates grows and lives, whoever does not

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<sup>6[6]</sup> *Natural Law, Economics, and the Common Good*, eds. Samuel Gregg and Harold James (Exeter, UK: Imprint Academic), 2012, p. 227.

<sup>7[7]</sup> Paul H. Dembinski, *Finance: Servant or Deceiver? Financialization at the Crossroads*, tr. Kevin Cook (Basingstoke, UK: Palgrave Macmillan, 2009), p. 2.

<sup>8[8]</sup> Gillian Tett, *Fool’s Gold: How Unrestrained Greed Corrupted a Dream, Shattered Global Markets, and Unleashed a Catastrophe* (London: Little Brown, 2009), pp. xii-xiii.

<sup>9[9]</sup> Larry McDonald and Patrick Robinson *A Colossal Failure Of Common Sense: The Incredible Inside Story of The Collapse of Lehman Brothers* (Reading, UK: Ebury Press, 2009), p. 339.

<sup>10[10]</sup> Professor Stefano Zamangi, of the University of Bologna is another member of this emerging School of Economics. He spoke at the theological conference in Maynooth last week.

innovate, remains behind and exits from the economic and civil game...The author who has most developed this *virtuous* dynamic of the market (the capacity to innovate is certainly a virtue, because it is an expression of *areté*, of excellence) is the Austrian economist Joseph A. Schumpeter.<sup>11[11]</sup>

Another Austrian economist, named Wilhelm Röpke (1899-1966), would I am sure, had he lived to see the launching of the Economy of Communion project by Chiara Lubich in 1991 in São Paulo, Brazil, have seen its positive contribution towards recapturing the truth of the reality of a person-centred dynamic in business and economics. Indeed, Röpke called for a 'new humanism;' that we should "adopt a philosophy which, while rendering unto the market the things that belong to the market, also renders unto the spirit what belongs to it."<sup>12[12]</sup> In this light, professor Stefano Zamangi speaks of the urgent need to update the market economy with a more 'personalistic perspective' and he observes that, "the Economy of Communion says to us that the market...can become an instrument which can reinforce social ties...and the creation of an economic space in which it is possible to regenerate those values (such as trust, sympathy, benevolence) on which the existence of the market itself depends."<sup>13[13]</sup>

Pope Benedict in his encyclical letter *Caritas in Veritate* concurs with all of this when he notes "*the economy needs ethics in order to function correctly* – not any ethics whatsoever, but an ethics which is person-centred."<sup>14[14]</sup> He speaks of new types of enterprise, which do not exclude profit "but instead considers it a means for achieving human and social ends."<sup>15[15]</sup> It's in this context that he specifically mentions the "economy of communion" and suggests that "*the very plurality of institutional forms of business gives rise to a market which is not only more civilized but also more competitive.*"<sup>16[16]</sup> It was after the publication of this document that John Mundell of Mundell & Associates, an economy of communion business based in the USA, got a telephone call from John L. Allen, who is an American journalist living in Rome. Allen had spotted the reference in the encyclical to the 'economy of communion' project and had somehow remembered that he had heard of an American company that was run on such person-centred principles. Allen interviewed John Mundell. The headline of the newspaper article he wrote was, 'Indiana firm can claim a papal thumbs-up from new social encyclical.'<sup>17[17]</sup> We are lucky to have John with us today and he can now tell us his own personal experience as a business entrepreneur about trying to run a company in terms of a greater person-centred dynamic. In the economic system that we have produced in the last century, there is something clearly dying out, but there are new horizons emerging. Perhaps we need "resurrection eyes"<sup>18[18]</sup> to be able to see it, but these new business models are an attempt to measure up to the multi-dimensional reality and truth about the human person.

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<sup>11[11]</sup> Luigino Bruni, 'Su imprenditori e concorrenza: Una guida alla lettura nei tempi di crisi,' *Nuova Umanità*, XXXIV (2012/1) 199, pp. 1-14 (own translation).

<sup>12[12]</sup> *A Humane Economy: The Social Framework of the Free Market* (Wilmington, DE: ISI Books, 1998), p. 116.

<sup>13[13]</sup> *Towards A Multi-Dimensional Economic Culture: The Economy of Communion*, ed. Luigino Bruni (New York: New City Press, 2002), p. 134.

<sup>14[14]</sup> Benedict XVI, *Caritas in Veritate: Encyclical Letter on Integral Human Development in Charity and Truth* (London: CTS, 2009), n. 45.

<sup>15[15]</sup> *Ibid.*, n. 46.

<sup>16[16]</sup> *Ibid.*, n. 46.

<sup>17[17]</sup> See *National Catholic Reporter*, July 07, 2009 (<http://ncronline.org>), accessed 15/04/12.

<sup>18[18]</sup> See, Luigino Bruni 'Economic Crisis and the Eyes of the Resurrection,' <http://www.edc-online.org/en/publications/articles-by/luigino-bruni-s-articles/2368-criisi-economica-e-occhi-di-resurrezione.html>, accessed 12<sup>th</sup> May 2012.